



Tethys Oil Remuneration report 2020

Introduction

This remuneration report provides an outline of how Tethys Oil AB's (the "Company" or "Tethys Oil") guidelines for executive remuneration (the "Remuneration Guidelines"), adopted by the annual general meeting 2020, have been implemented in 2020. The report also provides details on the remuneration of the Managing Director. In addition, the report contains a summary of Tethys Oil's outstanding share related incentive programs. The report has been prepared in compliance with Chapter 8 Sections 53 a and b of the Swedish Companies Act (2005:551) and Rules on Remuneration of the Board and Executive Management and on Incentive Programs issued by the Swedish Corporate Governance Board.

Further information on executive remuneration is available in note 12 (Employees) on pages 64–66 in the annual report 2020. Information on the work of the remuneration committee in 2020 is set out in the corporate governance report available on pages 21–28 in the annual report 2020.

Remuneration of the board of directors is not covered by this report. Such remuneration is resolved annually by the annual general meeting and disclosed in note 12 on pages 64–66 in the annual report 2020.

Key Developments 2020

The Managing Director summarizes the company's overall performance in his letter to shareholders on pages 4–5 in the annual report 2020.

Tethys Oil's remuneration guidelines: scope, purpose and deviations

The Company's remuneration principles are to ensure responsible and sustainable remuneration decisions that support the Company's strategy, long-term interests and sustainable business practices and further enhance the Tethys Oil's market position as well as increase the shareholder value. To this end, salaries and other employment terms shall enable the Tethys Oil to retain and recruit skilled senior executives at a reasonable cost. The remuneration shall be on market terms and based on the principles of performance, competitiveness and fairness

The remuneration covered by the Company's guidelines may consist of basic salary, variable cash salary, pension, non-financial benefits and severance pay. In addition hereto, the General Meeting may decide on, inter alia, long-term incentive programs in which senior executives can participate.

The guidelines are found in the corporate governance report available on pages 21–28 in the annual report 2020 and in note 12 (Employees) on pages 64–66 in the annual report 2020. During 2020, the Company has complied with the applicable remuneration guidelines adopted by the general meeting. No deviations from the guidelines have been decided and no derogations from the procedure for implementation of the guidelines have been made. The auditor's report regarding the Company's compliance with the guidelines is available on the Company's web (<https://www.tethysoil.com/en/section/corporate-governance>). No remuneration has been reclaimed. In addition to remuneration covered by the remuneration guidelines, the annual general meetings of the Company have resolved to implement long-term share-related incentive plans.

Total remuneration of the Managing Director (MSEK)

The below sets out total remuneration to Tethys Oil's Managing Director during 2020 and 2019 (as expensed).

Name of Director, position (start/end)	Financial year	1 Fixed remuneration		2 Variable remuneration		3 Extra- ordinary items	4 Pension expense	5 Total remune- ration	6 Proportion of fixed and variable remuneration
		Base salary	Other benefits	One-year variable	Multi-year variable				
Magnus Nordin	2020	3.494	0.029	2.057	–	–	0.436	6.016	66/34
Managing Director	2019	3.271	0.025	0.696	–	–	0.659	4.651	85/15

Total remuneration to the Managing Director increased in 2020 compared to 2019 due to increased basic salary and the recognition of 2 years of variable salary for all executive management. The recognition of 2 years of variable salary is the result of a change in practice regarding the timing of variable salary to executive management. Starting 2020, variable salary is recorded the same year as it is earned, previously it was recorded the following year. Because of this change, variable salary recorded in 2020 consists of both variable salary for the years 2019 and 2020. For the Managing Director the variable salary for 2019 was MSEK 1.114 and for 2020 MSEK 0.942.

In addition to remuneration described above, the Managing Director also receives warrants under the Company's long term incentive programme as resolved by the annual general meeting, as described below. The warrants are transferred free of charge to the participants. The value of the warrants the Managing Director received in 2020 and 2019, including income tax paid for those warrants was MSEK 1.045 and MUSD 1.566 respectively.

Share based remuneration

Outstanding share related incentive programs

Tethys Oil has a long term incentive programme as part of the remuneration package to employees. The allocation is not guaranteed and the Board of Directors of the Company shall resolve on and implement the allocation. The warrants have no vesting period or other restrictions and have been transferred free of charge to the participants and the Group accounts for any income tax for the participants to the extent such tax is attributable to the programme. The warrant can be exercised after three years. The market value of the warrants has been calculated in accordance with the Black & Scholes formula by an independent valuation insti-

tution. The subscription price is based on the volume-weighted average of the purchase price for the Company's share on Nasdaq Stockholm during approximately a two-week period prior to the date of allocation.

Warrants were issued 2020, 2019, 2018 and 2017 following a decision by the respective annual general meeting. The total number of issued warrants during 2020 was 350,000 (350,000) and the total number of warrants allocated during 2020 was 349,000 (350,000). Issued but not allocated warrants are held by the Company. No warrants were exercised during 2020 and 350,000 expired.

Name of director (position)	Warrant incentive programme	Awarded	Exercise period	Subscription price, SEK	Shares per warrant	Share options held at beginning of 2020	Number of warrants			
							Allotted 2020	Exercised 2020	Expired 2020	31 Dec 2020
Magnus Nordin (Managing Director)	2017 incentive programme	2017	30 May – 2 Oct 2020	69.30	1.24	75,000	–	–	75,000	–
	2018 incentive programme	2018	1 Jun – 2 Oct 2021	75.40	1.18	75,000	–	–	–	75,000
	2019 incentive programme	2019	1 Jun – 7 Oct 2022	72.80	1.08	60,000	–	–	–	60,000
	2020 incentive programme	2020	13 Jun – 6 Oct 2023	54.00	1.00	–	60,000	–	–	60,000
	Total					210,000	60,000	–	75,000	195,000

Variable remuneration and performance criteria

In accordance with the Guidelines for remuneration to senior executives as adopted by the AGM in 2020, the Managing Director is eligible for variable cash remuneration totaling up to an equivalent of twelve month's basic salary.

The awarding of a variable cash salary is set based on a number of corporate performance criteria in combination with personal

performance targets. The performance targets for the Managing Director's variable remuneration have been selected to deliver the company's strategy and to encourage behaviour, which is in the long-term interest of the Company. In the selection of performance measures, the strategic objectives and short-term and long-term business priorities for 2020 have been taken into account. The non-financial performance measures further contribute to alignment with sustainability as well as the company values.

Performance criteria and outcome as the basis for variable cash remuneration for the Managing Director in 2020

	Categories of performance criteria	Relative weighting of the performance criteria	a) Measured performance, and b) Weighting outcome
Magnus Nordin Managing Director	Leadership	20%	a) 60% b) 12%
	Strategy	20%	a) 100% b) 20%
	Organisation	20%	a) 60% b) 12%
	External relations	20%	a) 100% b) 20%
	Internal relations	20%	a) 70% b) 14%
Outcome personal performance criteria		78%	
Outcome corporate performance criteria		35%	
Total outcome		27%	
Total outcome (months)		3.3	

a) Is the level or performance achieved in the category

b) Is the outcome weighting of the category (total weighting multiplied with performance level)

The total outcome of the personal performance criteria is multiplied with the level of performance within the corporate criteria this is translated to a total number of months variable cash salary (out of a maximum 12 months).

Comparative information on the change of remuneration and company performance

Change of remuneration and company performance over the last five reported financial years ("RFY")

	RFY-4 vs RFY-5	RFY-3 vs RFY-4	RFY-2 vs RFY-3	RFY-1 vs RFY-2	RFY vs RFY-1	RFY 2020
Magnus Nordin remuneration (MSEK)	+0.404 (+16%)	+0.550 (+19%)	+0.705 (+21%)	+0.519 (+13%)	+1.365 (+29%)	6.016
Consolidated operating result (MUSD)	-24 (n.a.)	+38 (n.a.)	+23 (+62%)	-24 (-39%)	-31 (-84%)	5.8
Average remuneration on a full-time equivalent basis of employees of the parent company (MSEK)	+0.095 (+21%)	+0.028 (+5%)	+0.065 (+11%)	+0.068 (+10%)	-0.007 (-1%)	0.703

Definitions and abbreviations

MSEK Millions of Swedish kronor

MUSD Millions of US Dollars

n.a. not applicable